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CO-OPERATIVES AND DEVELOPMENT WITH SPECIAL REFERENCE TO THE
FORMATION OF CO-OPERATIVES IN SCHOOLS

By

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1. Co-operatives are ^{Social ?} economic institutions that are organised in accordance with certain basic principles. In discussing the role that co-operatives can play in promoting economic development at the state or the national level, it is absolutely essential for all concerned to understand and continually bear in mind the essential nature of these co-operative principles.
2. Therefore, this paper begins with a restatement of the co-operative principles as they are to be found in Co-operative Law in Malaysia and the ANGKASA Manifesto. Incidentally, these principles are in complete accord with co-operative principles internationally recognized by such bodies as the International Co-operative Alliance (ICA).

The Co-operative Amendment Act [Akta Syarikat Koperatif
(Pindaan dan Perluasan), 1975] No. 5 Seksyen 4(2):

"For the purpose of this section, "co-operative principles"
includes:-

- (a) voluntary and open membership;
- (b) democratic management;
- (c) limited interest on capital;
- (d) equitable division of profits;
- (e) promotion of co-operative education; and
- (f) active co-operation among registered societies."

The Co-operative Manifesto of ANGKASA states virtually the same principles with some elaboration and limited addition in the following terms:

CO-OPERATIVE MANIFESTO OF ANGKASA

Whereas the Malaysian Co-operative Movement under the guidance of its National Body, ANGKASA, being dedicated to the aims of —

Maintaining the democratic way of authority;

Attaining the widest possible expansion of the co-operative way in society;

Eliminating poverty and exploitation so that the benefits of economic progress may be shared equitably;

Working together with the Government for the achievement of National economic development and giving the full support of the Malaysian Co-operative Movement to steps for the restructuring of Malaysian society;

Playing a dynamic role in efforts to develop the Nation especially in the fields of industrialization and commerce and where necessary collaborating with private enterprise in ways that are mutually beneficial yet protect co-operative identity and co-operative principles.

Therefore, all the members of the Malaysian Co-operative Movement pledge themselves to concentrate their energies and efforts to attain these aims being guided by the following principles:—

- (1) Democratic organization.
- (2) Voluntary membership.
- (3) Fair returns on capital.
- (4) Distribution of the trading surplus in the form of increased services for members, increased shares in capital or according to patronage.

- (5) Repayment of capital according to investment.
- (6) The needs of society shall take precedence over individual interests.
- (7) Neutrality in politics and religion.
- (8) Encouragement of education.
- (9) Working together at all levels of co-operation.

It should be realized that fundamentally, co-operative principles are contradictory to the principles of private enterprise. This is clear from the aims and methods of distributing profits as well as from the way in which authority is structured in the respective types of organization. Therefore it would be unreasonable to use co-operation as an instrument or a step-ladder to encourage a group of people to become participants in private enterprise.

All members of co-operatives and in general all national leaders should understand that co-operative principles constitute a closely inter-related system of ideas. Any one principle cannot be altered without creating the danger of damaging or misdirecting the whole set of principles. Nevertheless, from time to time, in accordance with the needs of the economic aims of co-operation, the way in which these principles are practised may be changed appropriately.

Therefore it will be seen that from the above aims and principles the Co-operative Movement will play an effective role in the framework of national economic development as well as in the restructuring of Malaysian society.

General Assembly
24th May, 1975.

BY
ANGKASA

3. Essentially, two basic concepts need to be accepted and practised for an institution to become a proper co-operative:

- (a) democracy in decision-making and membership;
- (b) equity in the distribution of the trading surplus (or "profits") as returns to capital (i.e. shares) or as patronage (i.e. trading by members with the co-operative).

4. I should stress that in general, active participation by all members in the activities of the co-operative is desirable. "Sleeping members" are to be discouraged. This applies both to the trading activities as well as to the decision-making activities in the Board of Directors.

5. Arrangements for joint ventures with private enterprise should be very carefully considered because the main objectives of private enterprise are the maximization of profits and this directly contradicts the basic economic philosophy of co-operation. It will be better to consider organising such economic ventures as ordinary joint stock companies rather than to make them co-operatives if this is necessary. The co-operatives should not be used just because they appear to offer attractive tax advantages.
6. It should be quite clear that co-operation as an instrument of economic development is consonant with National policies for economic development including the eradication of poverty and the restructuring of society, as well as the promotion of democracy. Nevertheless, it should be understood that co-operation is fundamentally different from private enterprise in its forms of ownership of capital, methods of control of management and especially in the disposal of its profits. Co-operatives should aim above all to give service to members and to do nothing against the interests of the public. Co-operation and private enterprise can be complementary and need not come into conflict if the National Economic Policy allocates to each a role that it is most suited to play.
7. In Sarawak the co-operative movement is based on the Co-operative Societies Ordinance 1948 Chapter 66. In Sabah the relevant law is the Co-operative Societies Ordinance No. 3 of 1958.
8. Rules are made under the respective Ordinances and co-operatives have, in addition, their own bye-laws which determine their procedures and activities.
9. In this paper, I am mainly concerned with the developmental role of co-operation and I shall not discuss legislative, administrative or procedural issues, concerning the movement. I will merely note in passing that an excessive or even obsessive attention to such aspects by those responsible for the development of the co-operative movement can hinder their effectiveness as instruments in development. On the other hand, I am aware that poor supervision, inadequate auditing, etc. can lead to abuse and commercial failures that are equally undesirable.

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10. I am going to concentrate on basic ideas or principles that ultimately determine policy and how such policy can be implemented. I shall select four topics which seem to me to be deserving of a high priority of attention:

- (a) Members participation and the practice of democracy;
- (b) ^{Unholy}Unwholly alliances between co-operatives and private enterprise associated with, "get rich quick" or "sleeping income receiver" attitudes; also abuse of co-operatives for tax or business registration convenience ;
- (c) The rising tide of bureaucratic domination and the danger of semi-absorption of co-operatives by Government agencies or semi-agencies;
- (d) Why school co-operatives offer an excellent opportunity for civic and economic development of future citizens while they currently help combat poverty.

11. The following points arise, for discussion:

- (a) Maximizing members participation in (i) co-operative activities and (ii) in policy making at the Board level and (iii) respecting democratic principles and the rules of procedure in all meetings especially general meetings.
- (b) Minimizing or avoiding ^{unholy}unwholly alliances between co-operative enterprise and private enterprise. This is often carried out in the name of "joint ventures". Please refer to the appropriate paragraph in ANGKASA Manifesto. Refer also to co-operative principles and objectives as compared to the objectives (especially profit maximization) in private enterprise. Also compare the democracy of one man vote with that of one share one vote.
- (c) Wherever possible bureaucratic domination should be replaced by techniques of education and persuasion. The encroachment or absorption of co-operatives by Government agencies should be modified. We should avoid substituting bureaucratic control for democratic control, especially where economic efficiency cannot be clearly justified in terms of performance, etc.

12. In the Malaysian context particularly in Sabah and Sarawak, there are at least four strong reasons for developing a Co-operative Movement in secondary schools.

- (i) It will give students who are future citizens experience in the practice of democracy. The cooperative principles state, among other things, that each member has one vote irrespective of the amount of shares he has invested in the Cooperative, irrespective of his status (e.g. first year pupil or final year student or teacher) and irrespective of his race or religion.

relationship with Rukunegara

Adherence to correct procedures such as the observance of proper quorums, the passing and amending of resolutions, voting methods and the keeping of proper minutes and other records is important training for active future citizens whose faith in their democracy will be so much stronger by their activities in the School Cooperative.

1. introduction of democratic philosophy:
1. checks & balances
2. musyawarah
3. delegation of authority
4. supervising of general body of members.

- (ii) It will give students practical experience in organizing and operating an economic enterprise. The keeping of books i.e. accounting, the clearing of stocks and the preparation of displays can be carried out by selected members. A Board or Committee will have to make decisions regarding qualitative and quantitative objectives so that the enterprise may remain economically viable while it is giving members satisfactory service. If the Cooperative is large enough, it may have full time employees. This helps student leaders to realize their responsibilities as future employers or supervisors and also the problem of attending to the demands and needs of employees. Students learn how to manage money and become aware of the problems of maintaining a proper cash-flow.

i.e. introduction to management, business operations, complementary with commercial studies, economics, etc.

(iii) The Cooperative should be able to provide the students, the staff, the School itself and parents and possibly nearby consumers, with a convenient supply of items at attractive prices. Members would benefit from patronage rebates. Fair prices, correct weights and genuine qualities teach students who are future adult consumers how cooperation can benefit society. In rural areas, the convenience of location can be of great significance. The monopolistic and monopsonistic exploiters (i.e. local small shopkeepers) may be considerably modified in their attitudes by a well organized School Cooperative. Bulk purchases from factory producers by a number of Cooperatives coordinated through the National School Cooperative Organization lead to lower prices for consumers.

consumer education
and consumerism shd.
be stressed here

(iv) Students learn the art of working together or cooperating for the benefit of the whole school or for particular groups in the school. Although this concept of working together has been widely practised in rural Southeast Asia for a long time, it is tending to disappear with the extension of cash transactions, money wages and the movement of young persons especially girls from the countryside to factory employment in the industrial areas.

→ integration with other
school coops through the
to consolidate the
strength of the
movement.

(v) In view of the importance of school co-operatives a brief description of the current experience in Peninsula Malaysia is given below:

Legal Status

2. Legally the School Cooperative is a Cooperative Society registered under the Cooperative Societies Ordinance 33/48. It has its own by-laws. Co-operatives are normally formed among secondary schools although there are two primary schools with cooperatives.

Membership

3. Membership of a School Cooperative is open to all students, past students, teachers, and employees of the School, as well as the School itself as an institution.

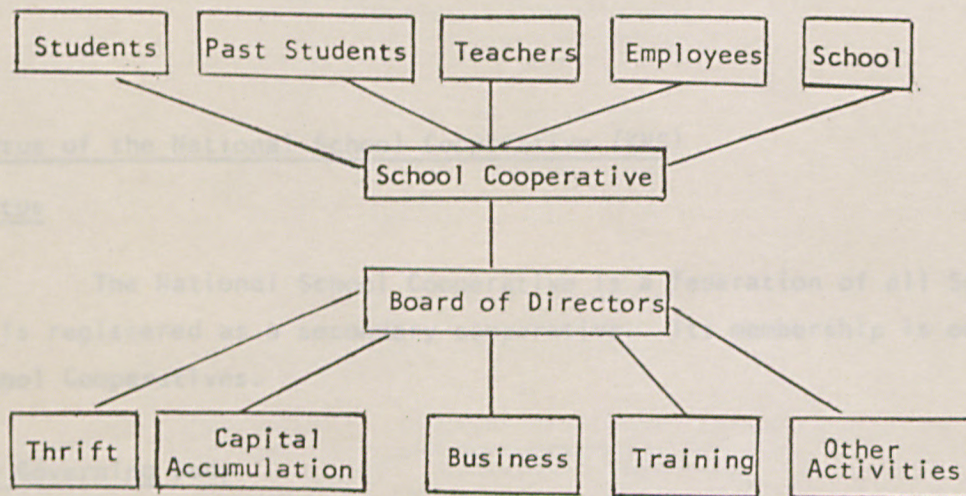
→ schools as a "cradle" for the cooperative movement? Especially with rising role of State & entrenched position of private enterprise, coop. movement (together with Unions) could form a vital third force in the national economy in the future? Ultimately, the pedagogic impact of school cooperatives should be the achievement of this unstated (and maybe deliberately understressed) role for school coops.

Governing Body

4. The highest authority governing the School Cooperative is the General Meeting of members. However, the by-laws of the School Cooperative provide that the Principal of the School or his Representative shall be the Chairman of the School Cooperative, and another Teacher shall be the Treasurer. The Secretary is elected from among the student members.

Structure and Functions of the School Cooperative

5. The structure and functions of the School Cooperative is shown below.



The objectives of a School Cooperative are:

- To encourage thrift and the spirit of self-help;
- To spread the knowledge of Cooperative Principles and the practice of Cooperation;
- To supply School requisites;
- To encourage handicraft and agricultural activities;
- To introduce economic enterprises;
- To provide a close link between students and the School.

Activities

7. Among the initial activities of a School Cooperative is the operation of the School Bookshop. The management of this bookshop is undertaken either by the students themselves working by rotation, or if the business of the School Cooperative is large enough to finance it, by a paid worker.

Progress

8. Progress of School Cooperatives can be seen in the figures below.

Year	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
No. of Coops	121	154	202	223	260
Membership	24,943	31,838	50,675	60,760	100,000
Capital	\$105,080	\$167,470	\$286,067	\$306,863	\$500,000
Business Turnover	\$749,099	\$1,370,762	\$1,703,496	\$2,195,095	\$2,500,000

Status of the National School Cooperative (KNS)

Status

9. The National School Cooperative is a federation of all School Cooperatives. It is registered as a secondary cooperative. Its membership is only open to School Cooperatives.

The Governing Body

10. The governing body of the National School Cooperative is the Council of Representatives that is attended by representatives of all School Cooperatives. This Council holds its meeting once a year.

Board of Directors

11. The Council of Representatives elects a Board of Directors from among the representatives. The by-laws of the National School Cooperative provide for the appointment of representatives of the Ministry of Education, representatives of the Department of Cooperative Development, and a representative of ANGKASA (The National Cooperative Organization of Malaysia) to sit on the Board of Directors of the National School Co-operative.

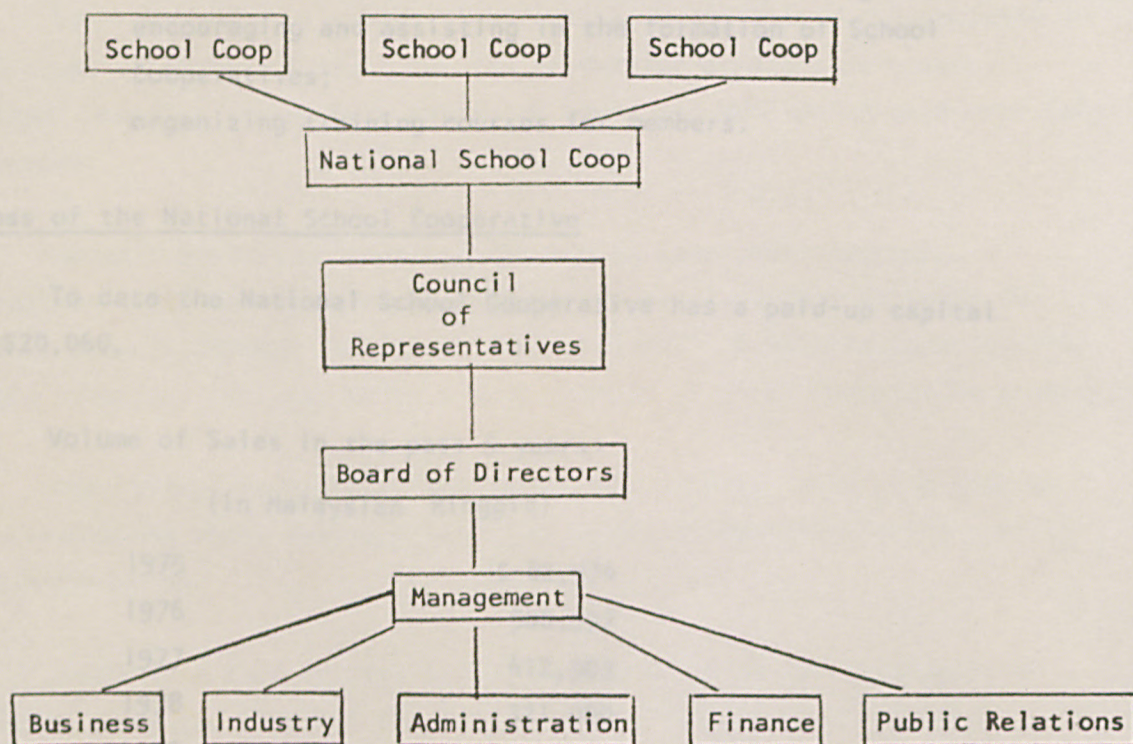
Management of the National School Cooperative

12. The Department of Cooperative Development lends its officers (at the moment 3 persons) to manage the business of the National School Cooperative.

Structure and Functions of the National School Cooperative

13. The structure and functions of the National School Cooperative are given in the diagram below.

STRUCTURE OF FUNCTIONS OF THE NATIONAL SCHOOL COOPERATIVE



Objectives of the National School Cooperative

14. The objectives of the National School Cooperative are:

- to act as a central pool of funds of School Cooperatives and to invest such funds;
- to provide credit to School Cooperatives;
- to supply School Cooperatives with school requisites;

to organise training courses for officials and members of School Cooperatives;
to spread the Cooperative knowledge.

Activities

15. The National School Cooperative undertakes the following activities:
- supplying School Cooperatives with school requisites especially through bulk purchases from the producers;
 - entering into joint-ventures with other organisations for the purpose of obtaining supplies; importing school requisites;
 - encouraging and assisting in the formation of School Cooperatives;
 - organizing training courses for members.

Progress of the National School Cooperative

16. To date the National School Cooperative has a paid-up capital of (M)\$20,060.

17. Volume of Sales in the past 5 years:

(in Malaysian Ringgit)

1975	\$ 82,974
1976	500,977
1977	412,903
1978	321,000
1979	400,000 (estimated)

Future Policy

18. It is intended to extend the membership of Co-operatives throughout the 780 secondary schools in the country. In each State, in the office of the Director of Education, there is a designated Desk Officer who attends to the problems of School Co-operatives. The Department of Co-operative Development, which is under the Ministry of Agriculture, has designated officers who assist School Co-operatives while they administer the affairs of the National School Co-operative.

19. The main problems confronting the School Cooperatives are:

(i) Overcoming cash-flow difficulties.

Individual School Cooperatives are sometimes slow in settling their accounts. This places a heavy burden on the KNS. Better methods of debt collection need to be developed. There should be a greater sense of responsibility which has to be instilled into the minds of teachers and especially Headmasters of Schools. The general membership should be made to understand the problem of cash-flow and debt settlement in so far as their own School Cooperative is concerned.

(ii) Overcoming rising competition from the private sector especially in the purchase of stocks of paper for the production of exercise books. Successful examples in the bulk supply of shoes and ball-point pens have been experienced.

(iii) Women's production cooperatives and farmers' multi-purpose cooperatives could be organised to produce and supply school uniforms to secondary schools through the School Cooperatives. A working paper on this has been prepared. This would be a good example of inter-cooperative trading.

(iv) More effective auditing facilities are needed. This is a problem that pervades the whole movement and is a source of weakness in the quality of decision-making.

(v) There is a need to develop the organization of inter-cooperative activities along the lines of the French School Cooperative Movement.

(vi) more effective management of school cooperatives particularly in exploiting the market for consumer goods represented by the school-going population. More dynamic management by KNS

11. Conclusion

I suggest that those concerned with national development especially economic development in Sarawak and Sabah should seriously consider the desirability of instituting a policy for the development of school co-operatives in these two states. I notice that Sabah has two school co-operatives although there are none in Sarawak.

$$10 + \frac{KNS - S_{12}}{12} -$$

KNS - the school
other - the school

I am sure that the experience of ANGKASA, the National School Co-operative and officers in the Department of Co-operative Development, Ministry of Agriculture, would be readily made available, if requested. The effective implementation of a policy of developing a strong school co-operative movement would ensure the realization of three objectives:

- (a) Raising the level of living by combating poverty and inflation through the provision of cheaper and better school supplies;
- (b) Ensuring future citizens have direct experience of the practice of democracy; and
- (c) Providing school leavers with experience in commercial activities and exposing them to the procedures and ways of the business world. They would also have better experience as consumers.

The above points will be elaborated during the discussion and any questions duly answered.
